

OCT 9 1939
CHARLES ELMORE CROPLEY
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IN THE

SUPREME COURT
OF THE
UNITED STATES.

OCTOBER TERM, 1939.
Nos. 23 and 24.

In the Matter of
LOS ANGELES LUMBER PRODUCTS COMPANY, LTD.,
a corporation,

Debtor.

THOMAS K. CASE and ADELE B. COWAN,

Petitioners,

vs.

LOS ANGELES LUMBER PRODUCTS COMPANY, LTD.,
a corporation,

Respondent.

SUPPLEMENTAL BRIEF OF RESPONDENT.

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Parker & Baird Company, Law Printers, Los Angeles.

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SUPPLEMENTAL BRIEF OF RESPONDENT.

To the Honorable Charles Evans Hughes, Chief Justice, and to the Honorable Associate Justices of the Supreme Court of the United States:

Respondent files this supplement to its principal brief for the following reasons:

1. There are listed specifically herein authorities in support of respondent's position which were mentioned in its principal brief only by reference to the two opinions

of the United States District Court set forth in full in the transcript of the record filed herein by petitioners.

2. This Court's attention is called herein to Corporate Reorganization Release No. 9 of the Securities and Exchange Commission, dated March 24, 1939, *In the Matter of Detroit International Bridge Company, Debtor,* No. 24131, in the United States District Court, Eastern District of Michigan.

I.

In answering petitioners' Point II (Petitioners' Petition, page 27) respondent, in its principal brief, referred, on page 17, to certain authorities as being disclosed in the opinion of the District Court, which authorities show that the Court has a wide discretion with respect to allowing stockholders who contribute additional consideration to a reorganized company to participate in the plan, even though the debtor is insolvent. These authorities are:

In re Georgian Hotel Corporation, 82 Fed. (2d) 917 (certiorari denied 298 U. S. 673);

In re Baldwin Locomotive Works, 21 Fed. Supp. 94;

In re Burns Bros., 14 Fed. Supp. 910;

In re A. C. Hotel Company, 93 Fed. (2d) 841;

In re 333 North Michigan Avenue Bldg. Corp., 84 Fed. (2d) 936 (C. C. A. 7);

Kansas City Terminal Ry. Co. v. Central Union Tr. Co., 271 U. S. 445, at 454;

Gerdes on Corporate Reorganizations, Sec. 1086, p. 1741.

Respondent also calls attention to a decision of the Securities and Exchange Commission entitled:

> *In the Matter of Detroit International Bridge Company, Debtor,* No. 24131, United States District Court, Eastern District of Michigan,

which is set forth in Corporate Reorganization Release No. 9 of the Securities and Exchange Commission, dated March 24, 1939, holding a reorganization plan submitted to the Commission under the provisions of Chapter X of the present Bankruptcy Act (Chandler Bill) to be fair and feasible. In that case the corporation was insolvent to such an extent that the entire assets of the debtor were worth only a fraction of the amount of the first mortgage debt. Nevertheless, debenture holders junior in rank to the first mortgage bondholders, and stockholders, both preferred and common, were allowed to participate in the plan of reorganization on a basis other than the payment of a new cash consideration. The Commission stated that the junior security holders were allowed to participate for the reason that their cooperation was desirable in avoiding expensive foreclosure proceedings, in avoiding litigation, and in obtaining consents to certain charter amendments so as to avoid the necessity of forming a new corporation, with attendant possible difficulties through the transfer of the bridge purchases to such a new corporation.

II.

Respondent's principal brief, on page 21, referred to authorities as being disclosed in the opinion of the District Court, and showing that respondent is not estopped from taking advantage of Section 77B of the Bankruptcy Act by reason of the provisions of Section 5 of Article II of the trust indenture securing the bonds. These authorities are:

In re Weitzen, 3 Fed. Supp. 698;

Federal National Bank v. Koppel, 253 Mass. 157, 148 N. E. 379;

Struthers Furnace Co. v. Grant, 30 Fed. (2d) 576;

In re American & British Mfg. Corp., 300 Fed. 839.

Respectfully submitted,

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